





HYDRO-ELECTRIC INQUIRY COMMISSION

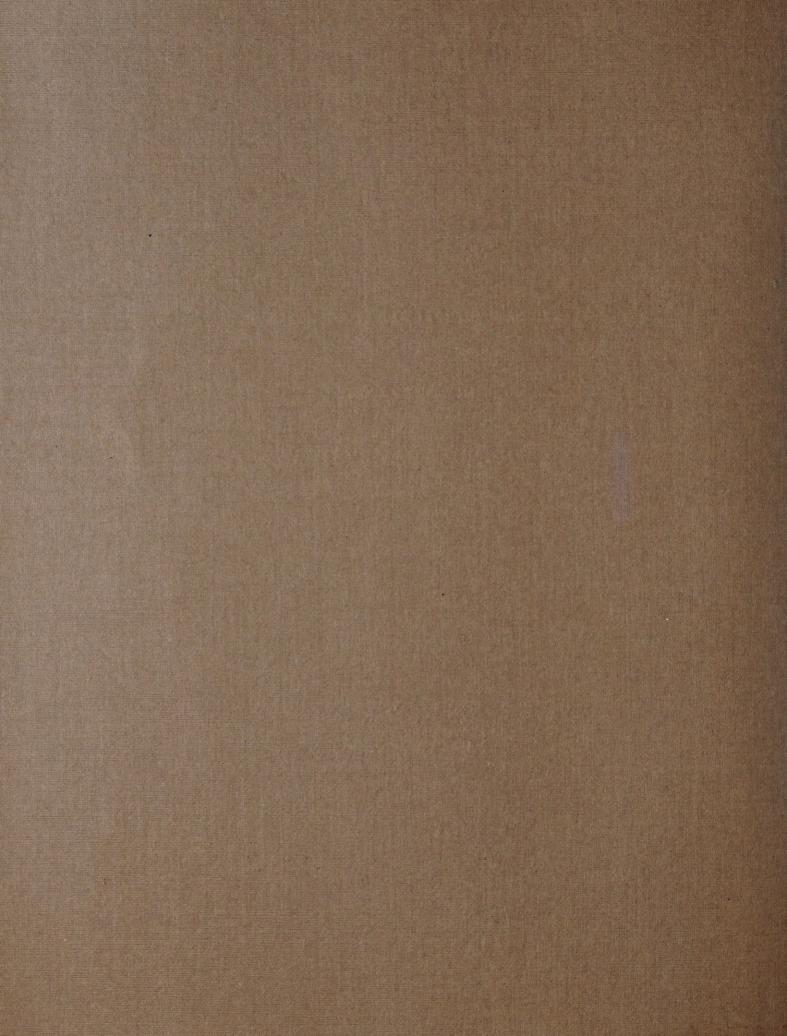
INTERIM REPORT

ON

THUNDER BAY SYSTEM

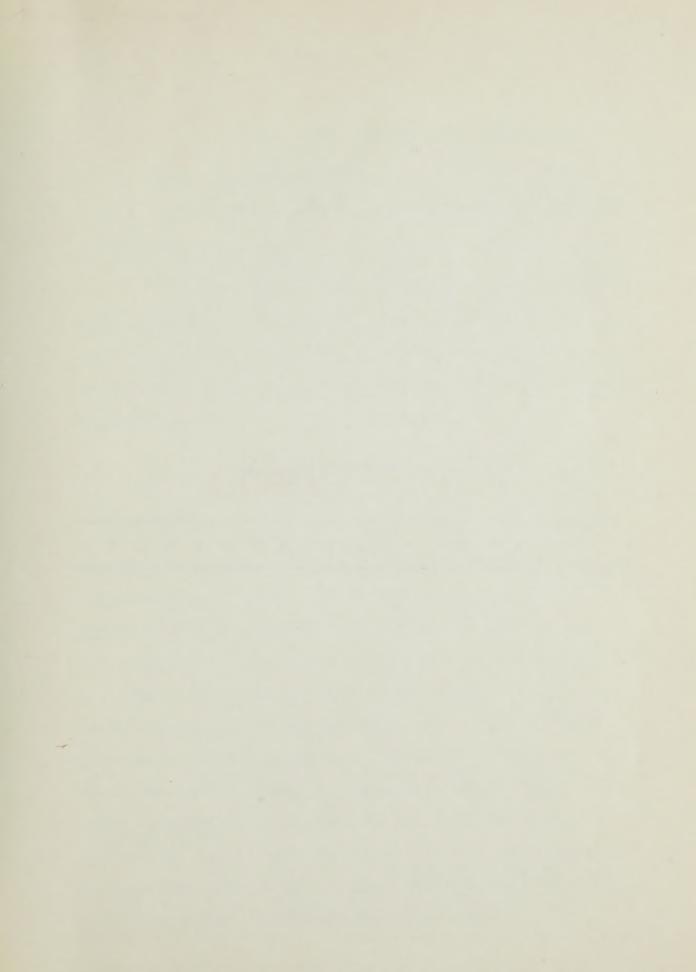
W. D. GREGORY, CHAIRMAN M. J. HANEY LLOYD HARRIS J. ALLAN ROSS R. A. ROSS COMMISSIONERS

JOSEPH H. W. BOWER SECRETARY





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#### THUNDER BAY SYSTEM

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COPY FOR ENCLOSURE TO

To His Honour, Henry Cockshutt,

Lieutenant-Governor of the Province of Ontario.

May it please Your Honour:

Having been by Letters Patent directed to inquire into, consider and report upon, among other things, all power developments undertaken by the Hydro-Electric Power Commission of Ontario, and generally all matters of expenditure and administration by the said Commission:

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COR OFFINAND PORT ARTHUR

Soon after we began our inquiry it was represented did not begin to take power traces the coursest until to us on behalf of the City of Fort William that a situation existed in the Thunder Bay District which urgently demanded our attention. Hearings were thereupon held by us at the Cities of Fort William and Port Arthur, and later at the ator power of Makebean Radio on the Koministiquia City of Toronto. The work of our engineers and accountants in respect of the construction of the plant and the ed of a transport word antered take the drespond entries hydraulic features of the undertaking in the Thunder Bay sains had purchased power if on the Individual proper District is not yet sufficiently advanced to enable us to report upon these subjects, but we are now in a position to have applied in April, 1929, but was extended to the report upon the other features of the undertaking and Collowing Passessary respectfully submit this report thereon. In our report we shall generally refer to the Hydro-Electric Power Commission the Espinistiquia Fewer Conpusy was Fourteen Dellars of Ontario as the "HYDRO-ELECTRIC COMMISSION". (Die 00) per haram-power at 12,000 with and the price paid

by Fort Arthur to the Hydro-Blastria Countraion was approximately

OPY FOR ENGLOSURE TO

To His Henour, Henry Cookshutt,

Liestenant-Governor of the Province of Onterlo.

May it please Your Honour:

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#### CONTRACT WITH SYDRO-SERCTRIC COMMISSION.

In 1917 the Cities of Port Arthur and Fort William engered into the usual form of contract with the Hydro-Electric Johnssion whereby the Commission was authorized to construct or purchase works for the purpose of supplying power; each municipality binding itself to pay for the cost of the works by paying a rate for power which would include cost of operation, cost of renewals, interest on cost, the necessary sinking fund and all other charges.

SATURDAY FAR ARISON OF THE Although the centracts came into force in March, 1918, when they were fatirled by the Legislature, Port Arthur REVINEURANT OF PR did not begin to take power under the contract until December, 1920. Fort William is not under obligation to Desired to the same SING STATE STREET, take power until August. 1926, when its contract with the Kaministiquia Power Jompany, a private corporation which generates power at Kakabeka Falls on the Kaministiquia River, west of Fort William, expires. Prior to the time when these contracts were entered into the Hydro-Electric Commission had purchased power from the Kaministiquia Power Company for the City of Fort Arthur. This contract would have expired in April, 1920, but was extended to the 人名人名埃内亚 人名 建二二烷 following December.

The price paid by the Hydro-Electric Jommission to the Kaministiquia Power Company was Fourteen Dollars (\$14.00) per horse-power at 22,000 volts and the price paid by Port Arthur to the Hydro-Electric Commission was approximately

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and not begin to take power under the contract until the end not which the sever until August, 1926, when its contract with the half leading fower Company, a private to comparation which the time only of fort William, empires. Prior to the time land, parthased power from the faministiquia Fower contract on had parthased power from the faministiquia Fower contract of the time.

 Twenty Dollars (\$20.00) per horse power. The price paid by Fort William was Twenty Dollars (\$20.00) per horse power at 2,200 volts.

#### PROPESED BITE OF POWER DEVELOPMENT.

In the public discussion which took place prior to the submission to the voters, in January, 1917, of the by-laws authorizing the contract between the municipalities and the Hydro-Electric Commission, the site of the proposed development was understood to be at Silver Fails, a point on the Kaministiquia River about fifteen (15) miles above the development of the Raministiquia Power Company and known generally as Dog Lake. Estimates of the cost of power, Block Edd The Parket of based upon the Dog Lake development, were submitted by NO. E. ARREST OF THE PERSON NAMED IN representatives of the Mydro-Electric Commission to Fort the Refered which companies . It appears, personal filliam and there is no doubt that the development at log Man Turning a cong. a fewer of the Angles Cong. bedress to Lake was the one in the minds of the electors when the an depression for here of the day, the married vote was taken. Members of the staff of the Hydro-Electric of their making and own party owns party of the latter Commission represented to the electors that the price of SHEAR STREET, MARKET BELLEVILLE AND ADDRESS OF THE RESIDENCE AND ADDRESS OF THE RESIDENCE AND ADDRESS OF THE PARTY ADDRESS OF THE PARTY AND ADDRES power, under the new contracts, would be substantially CARN'S WHEN RISE MANUAL AND ADDRESS OF THE ADDRESS OF lower than it was under the then existing agreements with a result to the second of the the Raministiquia Power Company. Many That was bound that the course of the party and the course of the county of the c

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#### PUBLICATION OF ESTIMATES.

It is laid down in the Power Commission Act as a prerequisite to the making of a contract between the Hydro-Electric Commission and a municipality that:

"The Commission shall....furnish to the corporation a statement of the maximum price per horse power at which electrical power or energy will be supplied...and an estimate of the cost of constructing or providing a transmission line." and that "the provisional contract shall not be binding upon the corporation unless and until a by-law approving the same has been submitted to and has received the assent...of the electors qualified to vote on money by-laws; and the estimates of the Commission or a summary thereof and a copy of the provisional contract shall be published with or form mart of the by-law."

that the estimates and maximum price of power should serve as a basis of the contracts between the municipalities and the Mydro-Electric Commission. It appears, however, that the Jommission, almost from the beginning, adopted a policy of disregarding the terms of the Act. The municipalities of fort William and Port Arthur were never furnished with estimates stating a "maximum price" nor were the estimates published with the by-law as required by the statute. On the occasion of the second vote in Fort William, the matter was the subject of communications between the Commission and the municipality in which the latter was advised by both the Secretary and the Chief Engineer of the Commission that:

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"estimates must not be included in the by-laws, but there is no objection to publishing the estimated figures and any other explanatory matters separate from the by-law.

These matters are important."

the by-law or publishing them with it probably was to render it impossible to held the Hydro-Electric Commission legally responsible for them. If the estimates had been published with or formed a part of the by-law, they might have afforded a ground for legal action if they were exceeded, while if they were exceeded, while if they were exceeded, the by-law later validated by the Legislature, this danger would be avoided.

Commission, on being questioned by us, stated that the Hydro-Electric Commission adopted the policy of not publishing the estimates with the by-laws on the advice of counsel. The advice of counsel is in our opinion no justification whatever of the failure of the Commission to observe the plain terms of the act. It is Trustee for the municipalities and bound to protect their interests with scrupulous care. Its estimates formed the basis for the agreements and it should always have been willing to assume full responsibility for them.

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#### CAMERON PALLS

between the two municipalities and the Hydro-Electric Commission having been signed and ratified, the next step was to begin work on the levelopment. We have already pointed out that Dog Lake was the site that had been publicly announced, but it appears that before the announcement was made and the vote of the municipalities taken, the thoughts at least of the Commission had been directed to Cameron Falls on the Nipigen River, a rater proper that had long been the subject of contention between public and private interests. The minutes of the Hydro-Electric Commission of September 20th, 1916, state that:

"The question of the submission of estimates for the supply of power to Port Arthur from Mipigon and Silver Falls was discussed and the matter referred to the Attorney-General (Hon. Mr. Lucas) to ascertain what progress had been made in the matter of the leases of the power site on the Nipigon."

The Minutes of the Commission for December 19th, 1916, contain Mr. Lucas' reply. They state:

"Commissioner Lucas assured the Board that the lease and option in connection with the Nipigon power situation had expired and the rights now rested in the Grown."

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AND ARRESTS NO. DESIGN AND PARTY AND PARTY AND PARTY AND PARTY.

#### SALE OF PULPWOOD LIMITS.

At the time, however, that Henerable Er. Lucas made this statement to the Hydro-Slectric Commission and advertisement of the limits adjoining Cameron Falls had been published. The advertisement stated that:

purpose and that the nation have been been in the stand

"The successful tenterer shall be entitled to obtain a lease from the Grown upon the usual terms, of some suitable water power either within the territory now offered for sale, or at some other suitable point within the Province, as may be agreed upon between the successful tenderer and the Minister of Lands, Forests and Mines."

In response to this advertisement tenders were received from Coopriek and S. A. Marks for the Pic River and Black Sturgeon limits, respectively. These tenders were accepted, and with the acceptance of these tenders the Covernment became respondible for providing water power for the purchasers of the limits.

They elected to take a water power site on the Ripigon River and their selection appears to have been approved by the Government. Prior to the execution of the formal agreement in May, 1917. Marks had assigned his interest to Carrick who became the lessee of both limits.

When Sir Adam Beck found that the Government had given the right to a water power on the Nipigen River to the owners of the li its, he went to Dir William Hearst and

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protested against the action that had been taken and asked
that the right given be cancelled. Sir William Hearst took
the matter up with Carrick and on Cotober 15th, 1917, wrote
to Sir Adam Beck that the only water powers available for
the owners of the limits were those on the Nipigon River,
and if the owners of the limits were excluded from the
river they would have to secure power elsewhere. Sir
William Hearst added that, with the concurrence of the
Commission he had assured Mr. Carrick that he could secure
power from the Hydro-Electric Commission to operate any
plant that he might erect. In another letter to Sir Adam
Beck, dated June 4th, 1916, Sir William Hearst stated that:

"The Covernment was able to arrange with Mr.

Carrick to release his rights to a lease of the necessary water powers on condition that the necessary power would be supplied to him by the Mydro-Electric Commission, and that the Government could not consider any plan for the levelopment of the water powers at Nipigon without provision being made to supply the necessary power required for the operation of the plants demanded by the terms of the concessions in question."

On these conditions Er. Carrick surreniered his rights to a water power on the Nipigon and the Hydro-Electric Commission went in and established its development there.

The Commission was under no obligation to go to Nipigon. If it had not gone in Er. Carrick would have been at liberty to develop the water power on his own account. By going in and

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AND A THE REST AND THE PART OF PARTY AND THE PARTY AND P NAME AND ADDRESS OF TAXABLE AND ADDRESS OF TAXABLE PARTY AND PARTY. ా గాదు ∀ట నీలు రమదం బాబం ఉ est took make the . . . owners of the limits were those on the Misiagn Miver. WHEN WAS ARREST AND ADMITS AND ADMITS AND ADMITS AND THE REAL PROPERTY AND THE PERSON AND THE PE sell-his assessment and other a table balds orwind notified ANNALS ASSESSED AND RAFFESS AND RESIDENCE AND REPORT OF THE PARTY OF . Alekantiwanian in a seri ame much the top gottel teditors al the to dead on take trees making record malified our party and a contract and an appeal THE PERSONAL RES IN LAST WARREST PARTY. JEEP TO ATTECH A THE ASSESSMENT THE SAMPLE OF THE PERSON. edt ende metallines no event ods ys mid of both qua od blue -mares in the contractor racioval and rous sully an restaure AND BENTOWOLD BENTOWN contains and the party of the p STALLY BUT W. WILLIAM BUY BUT BUT SPREAMS SAME. reserves the their beselfalous fire thry but assertant of a Sinsonike on the out of the contract of the co od yarm dil da mood ovad bloom molurai has all pales and account. By golden and and all the has all pales and and all the same all the taking the water power for itself the Commission assumed an obligation to supply Carrick and his assignees with electric power necessary to operate any plant that might be erected to manufacture timber on their concessions.

These facts are of special importance in view of
the position taken by Sir Adam Beck at the hearing before us
that the Government had required the Hydro-Electric Commission
to develop power at Nipigon and should therefore bear
the large and increasing deficit arising from the present
operation of the power plant erected there. The communications between the Covernment and Bir Adam Beck and Carrick
are matters of public record.

The following is an extract from the evidence given before us by Sir William Hearst on the subject:

- Q. It might appear to some people that it was
  the Government who took the initiative in
  asking the Hydro to go shead with this development. Now, did the Government do that, or did
  the Hydro go to the Government?"
  - A. Oh, the Hadro came to the Government."
- 4: The Hydro took the initiative?"

# COMMISSION SHOULD HAVE CONSULTED MUTICIPALITIES.

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The Hydro-Electric Commission was trustee for the Cities of Fort William and Port Arthur, and these cities were, under the contracts entered into by them with the Hydro-Electric Commission, responsible for meeting the cost of

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the undertaking. If, therefore, Sir Adam Beck's contention that the Government required the Mydro-Electric Commission to make a more expensive development on the Nipigon River in order to provide power for the owners of the limits were well founded, it is clear that before entering upon this undertaking the Hydro-Electric Commission should have obtained from the Government an undertaking on its part the Condition of the Assessment Condition in the Condition of the Special Property of the Condition of the C to indemnify the Hydro-Electric Commission for the additional outlay it would have to make, both in construction and operation, through complying with the Government's request; or it should have obtained from the owners of the limits a firm agreement to take from the Hydro-Electric Commission soon power as the Commission was required to provide for them. In the event of its not obtaining a quarantee from the Government or a fully secured contract from the owners of the limits, it should have declined to make the proposed development unless the municipalities of Port Arthur and Fort William, after having all the facts many and the first officerate members in laid before them had consented to its doing so. It was THE PARTY NAMED AND POST OF PARTY AND PERSONS ASSESSED. of especial importance that it should do so because its the problem of the Print list many problems from the representatives, as we have already pointed out, had announced DESCRIPTION OF THE PROPERTY AND PARTY AND PERSONS. IN LIST, that the development would be made at Dog Lake where the estimated cost was Three million dollars (\$3,000,000.) while the estimated cost at Hipigon was more than four times as great.

#### FUTURE TROUBLE.

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of the Hydro-Electric Commission was that while it now became responsible for providing power for the owners of the limits, the owners of the limits were under no obligation to take power from the Commission. This fact led to much trouble in the future.

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#### NO PROVISION MADE FOR LIMITS.

ment at Cameron Falls was announced. Mr. Caby, Chief Engineer for the Hydro-Electric Commission, submitted a report in which he made an estimate of the future demand for power, and recommended that the development be located at Cameron Falls. It is to be hated that in his calculations he did not include the requirements of Carrick or his successors in title to the Black Sturgeon and Pic River pulp limits, but bases his recommendation on the prospective sale of power to other parties which he said a development at Dog Lake could not meet.

The attitude of the Hydro-Electric Commission is shown in a letter which, in the following September, while negotiations with Jarrick were proceeding. Er. Pope, the Secretary of the Commission, wrote to Mr. Jarrick. In this letter Mr. Pope said:

"Unless the Jemmission receives a definite contract for the supply of power, it will be unable to consider future requirements you may desire to provide for."

Bo contract with the Commission was ever made by Carrick and it appears clear that the development at Cameron Falls was made without reference to the requirements

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#### FORER FROM CAMERON FALLS.

All young, are ansauction of Alley for him involvement on him Work on the development at Cameron Falls was States was open tally. By This agreement of the property begun by the Hydro-Electric Jommission in December, 1918. The development progressed rapidly and on December 20th. 1920, power from Cameron Falls was supplied by the Hydro-Electric Commission to the City of Fort Arthur. Mr. Gaby's the first and the sin party and the proestimates of a demand for from 25,000 to 80,000 h.p. were far from being reached. For the year that ended October 31st. 1921, the Hydro-Electric Commission had only two customers for power, the municipality of Port Arthur and the Nipigon Fibre ( ) sper Co., the latter being located at the mouth of the Nigigon River, about sixty miles northeast of Port Arthur. The total amount of power sold that year was 10,535.3 h.p.

#### EXTENSION GIVEN GARRICK.

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The original contract between the purchasers of the Black Sturgeon and Fic River limits and the Government provided that development work was to be begun and \$400,000 expended upon the limits by May 9th, 1918; but in January, 1918, Honourable Howard Ferguson, then Minister of Lands, For ests and Mines, wrote to Carrick a letter in which he said:

"Of course it is quite true that power is the crux of the situation and I realize until this problem is solved it is impossible for you to make progress. Under these circumstances and until the power is available (the underlining is ours) the Department cannot fairly ask you to make the other expenditures in connection with the erection of your mills."

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In May, of the same year, the Hydro-Electric Commission not being in a position to furnish a supply of power, an extension of time for the development of the limits was granted. In this agreement it was provided that:

"The Grantee shall not be called upon or required to perform or enter upon the performance of the terms, conditions, duties or obligations, or any of them imposed or binding upon him, as in the said agreement (9th May, 1917) set forth, nor shall the payment and expenditures referred to in the said agreement or any of them accrue or be charge—able against the Grantee; nor shall the Grantee be deemed to be in any default whatsoever under the said agreement, until such time as an adequate supply of electrical power is made available for the Grantee sufficient for the operation of the mills provided for in the said agreement."

Under this extension agreement therefore, the period within which operations were to be commenced by the concessionaires of the pulp limits was extended until such time as "an adequate amount of electrical power is made available."

#### MALE OF THE LIMITS

Shortly after this extension was granted the Black Sturgeon and Pio River limits passed out of the hands of Carrick, having been sold by him to a corporation known as the Great Lakes Paper Company, Limited. Practically nothing had been done by Carrick upon the limits and nothing was done by his successors in title, the Great Lakes Paper Company, the Company taking the position that an adequate amount of power for the mills had not been made available and that until it was available they were not required to

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proceed with development work.

#### CONTENTION OF NEW OWNERS.

Ontario Government, the Hydro-Electric Commission and the Great Lakes Paper Company, and at one time it seemed likely that an agreement would be arrived at whereby development work would be begun and power taken from the Hydro-Electric Commission, but in the end no thing came of the negotiations. The Great Lakes Paper Company not only took the ground that power was not available but that, if power were svailable, it was under no obligation to take it. It contended that it had an option to take it. It contended that it had an option. In short a situation that should have been foreseen from the beginning was now reached.

#### RESULT OF GOVERNMENT SUIT.

In May, 1920, the Honourable Mr. Raney, Attorney-General, on behalf of the Province of Ontario, brought an action against the Great Lakes Paper Jompany. Limited, for a declaration that the Great Lakes Paper Company was bound to take power from the Hydro-Electric Commission. This action was defended by the Company and tried by Mr. Justice Rose, who gave judgment against the Province. In his Judgment, he said:

"My conclusion is that there is no document which can be construed as containing an agreement on the part of Mr. Jarrick (or his successors) to take power from the Government, through the Joamission; that there is no justification for implying or inferring such an agreement on his part."

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## SHOULD THE GOVERNMENT HAVE SENDELLED LEADE

Honourable Mr. Lucas, speaking for the Hydro-LONG OF THE THE SERVE Electric Commission, took the ground before us that the Government should not have brought suit against the Great Lakes Company, but that it should have cancelled the concessions without invoking the powers of the AND THE RESIDENCE OF STREET Courts. The Government, no doubt, had power to cancel the concessions, and as it could not have been sued without THE RESIDENCE OF TAX the consent, it might have disregarded any legal or equitable RAY PL BELLINE OF PAPER. claim of the Great Lakes Company. But would it have been STATE OF THE PARTY AND ASSESSMENT OF wise or just to take such a course? Before bringing the action the Attorney-General submitted the matter to Mr. George H. Kilmer, (.) Per C.S. MacInnes and Mr. Christopher J. Robinson, K.J., all of whom were acting or had acted for the Hydro-Electric Commission. In the opinion given SCHOOL SECTION WAY TO SEE NAME by them, these gentlemen, in referring to the question as WHEN THE RESIDENCE WHEN PERSON WHEN THE PARTY PA to whether the Logislature or the Government should act DOLL PLANT BY MANY ON THE PARTY PARTY A THREE PRINTS. independently of the Courts, said:

"In our opinion, legislative or executive action to enforce this obligation (to take power) would not be justifiable."

Mr. Kilmer appears to have later expressed a different view, but this was after the matter had been submitted to the Courts, and it would, as the attorney— Coneral pointer out, have been manifestly improper for the Government, after having submitted the question to the Courts, to have refused to accept their decision.

#### A NEW AGREEMENT.

After the judgment of Mr. Justice Rose, the

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and want our award Annual and their analysts of the the AND RESERVED AND RESIDENCE OF SECURITIONS OF SECURITIONS es Company, but that it should have es AND RESIDENCE OF AND PARTY OF PARTY AND PERSONS OFF Charles on waves, had appear for advancement and appears Control of Agent and Aven from Printing 21 on Sec. westerdance of ARCHITECUTY AND RESIDE THE DESCRIPTION OF SHEET STREET, STREET need need the Atlant to over the property need and to part their the majories will be made a size and a soul to the O AND DIE AMERIKAN BAR CERT. THE PROPERTY OF THE PROPERTY O the control was not the about force for the party of arrangement of naving animals, and all an animals of the opinion plants of or colliner the st. or brings of agentists about your or for fineds to .. vol ent to exemple type and renteds of

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interpolative of the Courts, cold;

Government, in February, 1922, entered into a new agreement with the holders of the two limits, whereby the concession—aires agreed to spend four Mundred Thousand Bollars (\$400,000) before February 9th, 1924, and Two Million Dollars (\$2,000,000) before February 9th, 1925, in constructing pulp and paper mills and the necessary accessories. The clause in the former agreement providing that power should be made available for the owners of the limits is omitted from the new agreement; and as matters new stand, power or no power, the Great Lakes Paper Company has to spend \$2,000,000 and perform other obligations before February 9th, 1925, or lose its property. Thus was settled, for the time being at least, the differences between the Government and the limit holders.

application of any the property of ever property in the court of the

# THE SALES OF POWER.

DATE OF SECTION

October 31st, 1921, the Hydro-Electric Commission had only two customers of which the Nipigon Fibre & Paper Company was one. The Hipigon Fibre & Paper Company had one failing - it never paid a single bill reniered to it by the Hydro-Electric Commission, and in October, 1921, it ceased operations. Shortly afterward it went into bankruptcy and is still there. Among its liabilities is an account due the Hydro-Electric Commission of \$42,000. Fortunately the Hydro-Electric Commission has a bond of \$40,000 from a responsible Guarantee Jompany so that nearly the whole of the debt up to October 31st, 1921, is likely to be recovered.

k — The Residence of the State of the State

p. 5575

#### WINDS OF THE REAL PROPERTY.

Survive and every every every particular and the survivers and the

### ONE CUSTOMER CHLY IN 1922.

During the year 1922 the Nipigon Fibre & Paper Company, according to the statements of the officers of the Hydro-Electric Commission made to us, is being billed for AND DESCRIPTION OF PERSONS ASSESSED. 3067 h.p., at \$24. per horsepower although it is taking no Street or Endow dwell-course at power. This claim is based on the agreement of the Nipigon THE RESERVED THE PERSON NAMED IN COLUMN TWO Fibre & Paper Company to pay for a minimum amount of power for return to the descriptions whether taken or not. From evidence given before us by officials of the Hydro-Electric Commission it appears that negotiations with new interests that may take over the plant of the Nipigon Fibre & Paper Company have been carried on with a view to getting them to assume the past obligations to the Hydro-Electric Commission but no such agreement has been arrived at and the prospect of ever recovering any part of the account for 1922 appears to be remote. The City of Port Arthur is today the only customer of the Hydro-Electric Commission that is takin power from it in the Thunder Bay District.

### STATEMENT FOR 1922.

The year that ended on the 31st of last month
is the first full year of operation of the development at
Wipigon. The financial statement for the year is not yet
complete, but Mr. G. T. Clarkson, the auditor of the MydroElectric Power Commission has given us the statement of
receipts and expenditures for the first nine months of the
year and a careful estimate for the last three months. Mr.
Glarkson's statement for the year which ended October 31st,
1922, is as follows:

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During the year 1922 the Ripiger Fibre & Peger tall by constitute oil to present on our of outliness of the net baldly more of your of skin only have been believed by on a list at the product atthought to a sent the passe. This whate is been not not the black of the Windows CORES IN CORPORATION OF THE RESIDENCE AND ADDRESS OF THE PARTY OF THE THE RESIDENCE AND ADDRESS OF THE PARTY AND ASSESSED ASSESSED. AND AMERICAL BY ADDRESS OF TAXABLE PARTY OF TAXABLE PARTY AND TAXABLE PARTY. mid torn again and had assessed one didly bright altimate filly on balvass pane cond gasperb segal a salid segrald, and he and the relation they are nevered the past outlines on the last of the last to the need as i deemerys dere as ind AND THE PANE THE PARTY THE PARTY OF PROPERTY AND THE PARTY NAMED IN managed light to the time the the passing the time time that the times and times In taking the end; amounted the special policy and gold at STREET FOR A LABOR TOWNS AND STREET,

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#### Expenditure:-

Operation (including	direct maintenance
and administration	expenses)

Water Rental (based on 50¢ per horsepower for power delivered to Port Arthur) .... 4.588.00

Reserve for renewals (on depreciable plant 1.023% of \$4,628,440.77) ...... 46,861.15

A TANK MARKET AND THE RESIDENCE OF FIG. 1000 Pages 1974 And 1970

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#### Ravanno :-

From Port Archan averge load at \$25. per hors on wer .. \$219,409.28

In his statement Mr. Clarkson places the amount that will be received from Port Arthur at \$219,409.28.

This is estimated at \$25 per horsepower, whereas Port Arthur is paying only \$20 per horsepower, which is the rate that it paid before the construction of the Nipigon development. It refuses to pay more and the Hydro-Electric Commission has premised it power at this rate on certain conditions. If Port Arthur should pay only \$20 per horse-power the receipt from that municipality would have to be

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DESCRIPTION AND ADDRESS OF TAXABLE PARTY OF THE PROPERTY OF reduced by \$43.881.86, and the net deficit would be increased by that amount. It will be noted that Mr . Clarkson placed the receipts from the Mipigon Fibre & Paper Company at \$73.615.20. This Company, as we have already pointed out. is in liquidation and its prospects dark. No part of the item credited in respect of it has been paid and the full amount of the item should, in our judgment, be eliminated from the rovenue - for the present at any rate. If the revenue were decreased by this amount, the deficit would be increased by an equal amount and would amount to \$304,522.61. If the power sold to Port Arthur be placed at \$20 per horse-power. \$43,881.86 more would have to be added to the deficit, making the total deficit for the year \$348,404.47. With these changes the statement for the year ended October 31st would be an follows:

#### Expenditure-

#### Revenue -

From Port Arthur at \$20 per horsepower..... 175.527.42

Deficit for the year ... \$348,404.47

#### NO SINKING FUND

In the statement of expenditure no charge whatever is made for sinking fund, although the contracts with Port Arthur and Port William provide that a forty year minking fund shall be established. We are advised that the Hydro-Electric

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Commission has no power to defer it; but whether deferred or not it will have to be paid; if not now, then hereafter.

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# RATE OF INTERECT.

In a statement furnished to us by the Hydro-Electric Commission the rate of interest payable by it to the Government in respect of the Mipigon Development has been placed at 5 per cent. We are informed by Sir Adam Beck and other officials of the Hydro-Electric Commission that about January, 1920, at a conference held with NAME OF TAXABLE PARTY OF TAXABLE PARTY AND ADDRESS OF TAXABLE PARTY. the Provincial Government regarding a certain contract for the sale of power then under discussion, it was suggested that the beverment reduce the rate of interest to 5 per cent. Sir Adam Book and these officials state that this proposal was assented to by the Government. Honourable Mr. Drury and other members of the Cabinet, who appeared before us, state that the subject of interest was referred to casually and that there was no thought on the part of the Government of undertaking that the Province should pay any part of it. Mr. Drury stated that the Gov rament had no right to lower the rate, the Legislature having conf rred on it no power to do so.

The interest rate payable to the Government is dealt with in sub-section la of Sec. 15 of the Power Commission Act, which reads as follows:

TO BE SOUTH OF SOURCE SEE TO BE CONTROL OF THE SECOND OF T

"The Commission shall pay to the Treasurer of Ontario a musally interest on the indebtedness of the Commission to the Province for moneys advanced to the Commission by the Province as may from time to time be determined by the Lioutenant-Governor...

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in-Council as sufficient to reimburge the Province
the full amount of interest paid by the Government
on moneys raised for the purposes of the Commission
and the charges incurred by it in providing such
money."

Since 1917, when the Statute was passed, the rate has been made up by the Government on the basis fixed by it.

Although Sir Adam Beck states that the arrangement to charge the Hydro-Blectric Commission only 5% was made in Jamuary, 1920, it is clear that when the rate for 1920 was fixed at the end of that year it was fixed at 6.2 per cent. This rate was assented to without question by the Hydro-Electric Jemmission and cheque to cover it was given by the Hydro-Electric Commission to the Government. Apparently, no thing vas seld, and certainly nothing was done, to suggest that the rate should be 5 per cent. until the end of October 1921, or nearly two years after the alleged promise of a 5 per cent rate was made. At the end of 1921 the interest statement as between the Covernment and the Hydro-Electric Commission was STREET VIEW TON STREET, 1989. made up in due course at 6.5 per cent., the rate being THE REAL PROPERTY AND ADDRESS OF THE PARTY O based upon the statute. Instead of paying this amount, a wittings of area Coudes to my passage our action summer however, the Hydro-Blectric Commission made up interest name town allowed to your good fire and poster. and other charges on the basis of 5 per cent and charged THE PERSON NAMED IN COLUMN 2 IS NOT THE OWNER OF THE PARTY NAMED IN COLUMN 2 IS NOT THE OWNER. back to the Government all interest and charges over 5 per Long Printer Charles Control of the cent. which had been paid by it to the Government in the NAMED AND POSTOR OF PERSONS ASSESSED TO SERVICE ASSESSED. years 1918, 1919 and 1920. This alleged over-payment which A STATE OF THE PARTY OF THE PAR was charged by the Hydre-Electric Commission against the Government amounted to \$,1,347.41. Whether or not the THE NAME AND ADDRESS OF THE PERSON WHEN HE THE STREET PROPERTY. Legislature should make any reduction in the rate charged

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In decempt, 1920, 10 It where the stars when your party for 1850 THE PART OF THE PART OF SAME PART IN MIN PERSON OF PART AND THE THE METHER WAY pering are of even at argues for substances alvestillaring of the lightesting vocals him to the diversity. វ វ ស្គ្រា វ name and displayed and address to have all figure when are play from my if a to malegar, leggel a six units CARRIES OF RESIDERS PROTECTED BET TELL OF SER BALL AND the divergent and the Spinostimuspin founds him will national and the same were not that yet ments and all or all and the same and the same ... Indian old netgag to Assist, Laterals and ongo toner ARTERIAL DE SPIZZO-LIGITATION VERMINATION DE L'ANTONIO bry this had rate tay I by along our an records to lie. term in the Development of a terresul and compare the first and will developed and he as not blue mand had duling a free Child the cartification and the children and the angel and a and the block on the Lance of the All December, and the Language was mile for the them of the control of for what we want to be a state of the profession and the form to be a second to be a second to the second to be a second to the The Hydro-Electric Commission is a question for the Legislature to decide. It is clear that no reduction was made and the amount charged by the Government was the amount due to it by the Commission. Hr. Clarkson properly computes interest in his statement at the rate provided by law.

Tourston and the The Hydro-Electric Commission states that when it paid the interest to the Government at the end of 1921, one of its officials handed to the Assistant Provincial Treasurer A THE WORLD COME WAS NOT THE PERSON OF THE PARTY OF THE PARTY AND ADDRESS OF THE a statement showing interest computed at five per cent. and making the deductions above referred to. The representatives DESIGNATION PRODUCED A STREET THAT THE OWNERS HE AND of the Commission state that the Commission's cheque for the of spend to make the market and the state of the same amount it claimed was due, was received and that the account of the Commission of the as above, was receipted by the UPI Assistant Treasurer and that the Government has made no claim against the Commission since that time for any shortage. This statement is confirmed by testimony given before us by the Seputy Provincial Treasurer. The obvious and proper course would have been for the Assistant Treasurer to have given credit for the amount paid and at once to have demanded payment of the balance. It seems remarkable that, when there was STREET, SOME ORDER TOTAL STREET, SALES SALES a shortage of over \$70,000 in the payment the matter should have been allowed to rest and that no account shall AND PERSONAL PROPERTY AND ADDRESS. have been rendered to or demand for payment made upon PERSONAL PROPERTY AND PERSONS AND PERSONS ASSESSED. the Hydro-Electric Commission since that time. The Deputy Provincial Treasurer did not even bring the matter to the attention of the Provincial Treasurer until a few months ago. It is not easy to comprehend why such laxity was shown except on the ground that as the Hydro-Electric

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The Mydro-Glactric Commission states that sheel it NAME AND ADDRESS OF THE RES OF THE PERSON NAMED AND THE PERSON NAMED AND PARTY OF THE PARTY OF T Appropriate Calculations described to the St. Assess of Station and by And while the will be nelsoned fideballs indicate described to REPLEATED FOR ALL AND ADDRESS OF THE PERSONS AND ADDRESS OF THE PERSONS AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON ADDRESS OF of the Countering which will not over a service and the teath of Person and while has declared and one and heatels of Secure THE RESIDENCE AND PROPERTY OF A SAME SHAPE AND ADDRESS OF THE PARTY OF no when sad discourages and real the parameter apprehens. sight against the president above they also every the matrices. to be excluded on the principles of Descriptor to Assemble to Assemble to the contract of the ARTERN TOTALS, AND RESIDENCE OF AUGUSTAL DESIGNATION OF STREET, AND needly need by Taxantares, Seasanger, out was need by a liver SCHOOLS ASSESSED NEXT AND ADDRESS OF REAL PROPERTY AND RESTREET of the believes, it seems removed the translation of the THE R. P. LEWIS CO., LANSING, MICH. LANSING, MICH. LANSING, MICH. LANSING, MICH. LANSING, MICH. LANSING, MICH. ABTUAL SEPERA SET ACCORDED BUT HE DESCRIPTION OF STREET, AND ADDRESS OF L'ANGERIC EL ANDRE EN CONTRACTOR CONTRACTOR DE LA CONTRAC mays have depended on the content of the page of the upon A Committee of the comm the Aydro-2lectrie Commission size: THE RESIDENCE THE PARTIES AND DESCRIPTION OF PERSONS ASSESSED. BUT IN AFFIRE THE PROPERTY AND ADDRESS OF THE PARTY ADDRESS OF T the law are the description of the early land by of the Chi-only is an and burous and me there ....

SECTION.

RESIDENCE R. LEAVENING

Commission is a department of the Government, the Deputy Treasurer assumed that its statements a ould be accepted as correct.

#### HOS TO MAST THE DEFICIT.

Alectric Commission and the City of Port Arthur were carried out, Port Arthur would have to pay the entire deficit in the form of higher rates for power, but if it did so, its rate would be more than \$60 per horsepower - a rate which it is clear it could not pay. Mr. C. T. Clarkson, the auditor of the Hydro-Electric Commission, states that the Commission has no funds out of which to meet the deficit. Sir Adam Book in reply to our inquiry as to how the deficit should be met took the position that we have already described and said:

"I think the Severnment is morally bound to assume that out and out altogether."

Question: "Assume it and pay it out of what?"

Answer: "Out of the Treasury of the Province of Contario"

Mr. Gaby, the Chief Engineer, takes a different position, as the following extract from his evidence shows:

Question: "You would not suggest that the Government should take over this deficit and pay it off and not look to the System to make it good?"

Answer: "No. I would not do that. I would tay in time the System should make good its deficit in the earlier years, and the statement we have propared shows it will not be many years before it will be evertaken."

Mr. Matthews, Mayor of Port Arthur, takes the same position as Mr. Gaby. He expresses the opinion that the System chuld and would substantially meet all its obligations

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Therefore has designed and advanced the statement of the

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ment chould take ever this earigit and pay it off

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if the Government would carry the present deficits in a susp use account. Mr. Morris, speaking for Fort dilliam expressed a different view. He said:

"The Province, we think, should write off or absorb a lot of the capital expenditure on that development."

at the opinion that no obligation to pay off or absorb the deficit rests upon the Government of Ontario. It did not request the Hydro-Electric Commission to make the development at Ripigon - The Commission made it of its own accord.

In the whole history of the Hydro-Electric Commission this is the first occasion on which it has stated
that the municipalities for which it acts cannot meet the
obligations undertaken by the Provincial Government on
their behalf and that the deficit will have to be taken
as Sir Adam Beck puts it, "out of the Provincial Treasury."

came to this state, such is the state to which it has now come. The Hydro-Electric Commission cannot meet the deficit. The municipality of Fort Arthur cannot carry the burden. There is only one other source to which to look and that is the Province of Untario. It berrowed the money for the Lydro-Electric Commission. It signed the bonds; and, willingly or unwillingly, it will have to meet the deficit. The obligation incurred by the Province for the hipigon Development has proved to be a very real and a very serious one.

The deficit new existing is but a beginning. It will grow year by year and may reach a million dollars.

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It will, in our opinion, cortainly reach close to threequarters of a million. More capital must be advanced by
the Province for additions to the plant to enable it to
supply future demands for power. Its capacity now is
about 25,000 h.p. Up to U tober 31st last the Province
had advanced for capital \$6.522,000. Mr. Gaby estimates
that \$6,478, 60 more, or \$13,000,000 in all, will be required to complete the work.

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# STUDY BY MA. FRANCIS.

has prepared for us a very clear and illuminating study of the economics of the divisor bystem. The results of the study show, as Mr. francis points out, not only the present condition of the economics but also the conditions which will result in the future according to the manner in which the variable factors may be dealt with. In preparing his diagrams Mr. francis has, at our request, taken after consideration the forecasts of power demand furnished to us by Mr. Gaby.

In diagram 5, prepared by Mr. francis, it is assumed that the price for power to the municipalities is \$20 per horsepower and to pulp mills \$18. per horsepower; and that 50¢ per horsepower generated is paid to the Government for water rental, and that the interest rate on the capital expenditure is to be calculated at 6.2 per cent per annum, diminishing to 5 per cent., and the interest on the accumulated deficit at 5.5 per cent. per annum diminishing to 5 per cent. These conditions are the most favorable which we think they are justified in taking as a basis of

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The Assessment and State and State assessment and the State as as a second and and and a second and and a second and and a second and and a second a

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calculation. The diagram shows that if these conditions are realized there will be an accumulated deficit, which will in 1926 amount to over \$750,000 and will thereafter decrease and ultimately disappear in 1933. If the assumed conditions, including Mr. saby's estimates of the load, are not realized the deficit will, of course, be larger and repayment longer deferred.

The revenue as shown in diagram 5 is predicated as stated, on a rate of \$20 so the municipalities and \$18 to pulp mills. These rates, in our epinion, would be fair.

The study by Mr. Francis is attached here to as appendix "A", a retabulation by him of the estimator of the Hydro-Electric Emmission appears as appendix "B".

### A CRITICAL ERIOD.

System is not surprising. If a similar system had been sonstructed by private interests provision would have had to be made to carry the undertaking ever the period that there must nearly always be between construction and the time when power can be produced in easying quantities and sold at paying rates. We adequate provision is made by the Power Commission Act for carrying the undertaking over this critical period. In our opinion a careful estimate made prior to construction would have shown that in all probability the undertaking would not be able to carry itself in its early stages. This probability should have been frankly stated to the Government by the Hydro-

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for money for the undertaking. If, with this knowledge, the Government had decided to go on it would have done so with its eyes open.

#### DEFICITS SECULD BE CHEETED IN SUSPENSE ACCOUNT.

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carried in a suspense account and repaid to it by the Thunder Bay System, as receipts from sale of power place it in a position to do so. That such a time will come we have no doubt - nor have we any doubt that the time will also come country to evelopment at Sameron Falls will be insufficient to supply the requirements of Fort silliam, Fort Arthur and the surrounding district.

#### SECURE CUSTOMERS FOR POSER.

be spared to secure customers for power. Regotiations for the sale of power have been carried on in the past by the Hydro-Electric Commission, but apparently in a half-hearted manner— at any rate they have been without result. From evidence given before us it would appear that if both parties to the negotiations are prepared to make a fair contract no insuperable obstacles will be found in the

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ne devernment had decided to go on it could have done as with its eyes open.

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way. If a contract be made an early development should follow, and a large increase in revenue would be assured.

#### "AKFORDA BLS" CONTA OTS.

the negotiations referred to was that the purchasers of power could not procure an "enforceable" contract from the Hydro-Electric Commission. There were other terms in dispute between the parties but these were trifling. In our opinion the question of enforceability should not be permitted to the in the way of a contract being made. If there is any reasonable doubt as to whether such a contract is enforceable, the doubt should be set at rest by appropriate legislation.

#### FRUITLETS ARRANDS.

The municipalities themselves, upon whom the burden must ultimately rest, are deeply interested in promoting the sale of power. Month after month and year after year, deputation after deputation has come down, at great expense, from these sities to the Hydro-Electric Commission for the purpose of implementing any negotiations going on for the sale of power and bringing them to a

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presentatives of the municipalities complain of having spent so much time and money on fruitless errands.

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# BIUAL TRACKIET FOR SOTE CITIES.

As between the cities of Port Arthur and Fort DESCRIPTION OF PERSONS ASSESSED BY STATE OF STREET william, we fool that there ought to be complete equality of treatment by the Hydro-Slectric Commission in the walked have a control of the later of the control of the control of their matter of both low tension and high tension power and with-STREET, MALE WATERWAYS AND out regard to the fact that Fort Arthur is mearer the source of power. We find that, when the vote was taken, there was a clear understanting as to this. The zone of equal rates should be extended to any improved lands contiguous to the municipalities, and there is much to be said in favor of laying down a general principle that in view of the responsibility for the Lipison development assumed by the cities of Port Arthur and Fort Villiam, power should not be sold in any part of the Thunder Bay District at a lower rate than to Port Arthur and Fort William.

### PRUIPE AND AFFAUTIVE AUTION INFORMTIVE.

The Provincial Government has now to carry the load and will have to carry an increasing load for some years to come. Under these conditions it is imporative that it co-operate to the fullest possible extent with the Hydro-

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### CHARLE SHE DIS TRACTIONS, SHEET

# CHARLEST COLLECTION AND CONTRACTOR

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Slectric Commission to assure greater sales of power-for it is only by the sale of more power that the
annual deficit can be reduced and revenue eventually
made to balance expenditure. It should go further and
insist that, where it is possible to make a contract with
responsible parties for the sale of power on fair and
reasonable terms, nothing should be permitted to prevent
such a contract being entered into. Other questions may
wait, but a deficit that is growing at the rate of \$300,000
a year calls for prempt and effective action.

Dated November 15th, 1922.

(Signed) W. D. GREGORY Chairman

M. J. HANBY

LLOYD HARRIS

J. A. ROSS

H. A. ROSS

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responsible parties for the sale of persitted and reasonable terms, nothing should be persitted to prevent the sontract being ontered into. Other questions may wait, but a deficit that is graving ut the rate of \$500,000 a year onlie for prompt and effective action.

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